

# CPP ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

MERCANTILE BANK CORPORATION

Point of Contact:	MICHAEL PRICE	RSSD: (For Bank Holding Companies)	2608763
UST Sequence Number:	449	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	21,000,000	FDIC Certificate Number: (For Depository Institutions)	34598
CPP/CDCI Funds Repaid to Date:	10,500,000	Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	May 15, 2009	City:	Grand Rapids
Date Repaid <sup>1</sup> :	4/4/2012	State:	Michigan

<sup>1</sup>If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

**What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).**

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

Since issuing the preferred shares, we have been able to originate well over \$300 million in new loans. Without the CPP shares, we would have been forced to severely reduce the number of new loans originated to conserve capital/

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☒ To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).

Small Business and Commercial Loans

☐ Increase securities purchased (ABS, MBS, etc.).

☐ Make other investments.

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☒ **Increase reserves for non-performing assets.**

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☐ **Reduce borrowings.**

☒ **Increase charge-offs.**

Charge offs have been elevated during this period. The CPP capital allowed us to withstand these elevated charge offs and remain well capitalized.

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<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution.

<input checked="" type="checkbox"/>	<b>Held as non-leveraged increase to total capital.</b> All relevant Capital ratios were fortified by the CPP funds.

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### What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

The CPP funds worked exactly as Treasury planned. During the Great Recession, our Bank was able to continue lending and remain well capitalized during a time when access to outside capital sources was severely constrained. We are grateful for access to the program and as noted above, we have begun the process of repurchasing the issued shares.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.